

Message Text

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C O N F I D E N T I A L ROME 00846

LIMDIS GREENBACK

PASS TREASURY AND FRB

E. O. 11652: GDS

TAGS: EFIN, IT, IMF

SUBJ: OSSOLA COMMENTS ON INTERNATIONAL MONETARY MATTERS

SUMMARY. TREASATT SPOKE WITH BOI DIRECTOR GENERAL OSSOLA ON JANUARY 19. OSSOLA WAS PLEASED WITH OUTCOME OF JAMAICA MEETING. HE COMMENTED ON GOLD, SDR AND FOREIGN EXCHANGE ASPECTS OF COMPROMISE. END SUMMARY.

1. GOLD. FOLLOWING RECENT BASLE MEETING OF CENTRAL BANK GOVERNORS, OSSOLA CONCLUDED THAT SEVERAL EUROPEAN CENTRAL BANKS MIGHT PURCHASE IMF GOLD THROUGH BIS. MOST LIKELY CANDIDATES WERE BANK OF FRANCE, BELGIAN NATIONAL
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BANK AND SWISS NATIONAL BANK. GERMAN BUNDESBANK AND DUTCH

CENTRAL BANK MIGHT ALSO BUY GOLD FROM BIS, BUT THIS WAS LESS LIKELY. WHILE BOI, ITSELF, DID NOT FEEL LEGALLY BOUND NOT TO BUY GOLD FROM BIS BECAUSE OF IMF RULES, ITALIANS DID NOT INTEND TO DO SO SINCE BOI'S FOREIGN RESERVE POSITION DID NOT WARRANT IT. BOI DOES NOT INTEND TO REVALUE ITS OFFICIAL GOLD HOLDINGS AT MARKET PRICE, ALTHOUGH IT HAS CONSIDERED POSSIBILITY OF OFFSETTING ITALIAN EXCHANGES OFFICE'S LOSSES THROUGH TRANSFER OF PART OF OFFICIAL BOI GOLD HOLDINGS TO EXCHANGE OFFICE BALANCE SHEET SO THAT SMALL GOLD PROFIT COULD BE RECORDED.

2. OSSOLA EXPLAINED TECHNICAL PROBLEM WHICH HAS ARISEN RE G-10 AGREEMENT NOT TO INCREASE TOTAL OFFICIAL G-10 AND IMF GOLD HOLDINGS DURING NEXT TWO YEARS. SOME EUROPEAN CENTRAL BANKS, INCLUDING BANK OF FRANCE AND BANK OF ITALY, BELIEVE THAT RESTITUTION OF IMF GOLD T IMF MEMBERS WHICH ARE NOT MEMBERS OF G-10 WILL REDUCE OFFICIAL GOLD HOLDINGS (I.E., IMF GOLD), SO AS TO PERMIT G-10 CENTRAL BANKS TO INCREASE THEIR GOLD HOLDINGS WITHOUT VIOLATING CEILING. OSSOLA SAID THAT FRB CHAIRMAN BURNS HAD ARGUED AGAINST THIS INTERPRETATION, CLAIMING THAT THIS CEILING SHOULD BE REDUCED BY ANY RESTITUTION OF IMF GOLD TO NON-G-10 MEMBERS. WHILE OFFICIALLY SUPPORTING FRENCH POSITION, OSSOLA ADMITTED THAT THERE WAS SOME LOGIC IN CONTRARY INTERPRETATION. HE WONDERED IF TECHNICAL COMPROMISE COULD BE REACHED TO SPLIT THE DIFFERENCE FIFTH-FIFTH.

3. SDR'S. OSSOLA SAID THAT ITALIANS STILL BELIEVE THAT NEW ISSUE OF SDR'S IS DESIRABLE. PRIOR TO JAMAICA, GROUP OF 24 WAS TAKING SIMILAR LINE. HOWEVER, AT INTERIM COMMITTEE MEETING LDC'S DID NOT PRESS THEIR CASE AND ITALY RECOGNIZES THAT ITS OWN BARGAINING POSITION IS VERY LIMITED. THUS, ITALY IS RECONCILED TO CONTINUED SUSPENSION OF NEW SDR ISSUES.

4. FOREIGN EXCHANGE RATES. TREASATT MENTIONED RECENT ITALIAN PRESS REPORT IN WHICH FRENCH MINISTER OF FINANCE SUGGESTED THAT ITALIAN LIRA SHOULD NOW BE ABLE TO REJOIN EC SNAKE. OSSOLA SAID THAT BANK OF ITALY WAS NOT IN FAVOR OF LIRA REJOINING SNAKE IN NEAR FUTURE. GERMANS, CONFIDENTIAL

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TOO, WERE IN AGREEMENT THAT THIS WOULD BE UNWISE. OSSOLA ADMITTED, HOWEVER, THAT TREASURY MINISTER COLOMBO STILL OCCASIONALLY SPOKE OF THIS POSSIBILITY, LINKING IT IN PART TO DECELERATION OF INCREASES IN ITALIAN LABOR COSTS. VOLPE

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